



# Message of the Week

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*Presented by Rep. Mike Pence (R-IN)*

## **“Congress must end the double taxation of dividends.”**

- Under current tax law, a dollar of corporate profit is taxed when it is reported and then is taxed *again* when it is paid out to stockholders.
- Not only is this policy economically unwise, it is also unfair. No dollar should be taxed **twice**—especially not a dollar created by American ingenuity. Once a dollar of profit is taxed, it should not be taxed again when paid out to shareholders.
- One misconception is that only rich people receive dividends and thus only rich people will benefit from ending the double taxation of dividends.
- But, according to a Heritage Foundation analysis, 90% of all single taxpayers directly receiving dividends earn less than \$53,000 in wage and salary income, and 70% of all married couples directly receiving dividends earn less than \$76,000 in wage and salary income.
- Ending the double taxation of dividends will unquestionably result in sustained economic growth and a decrease in the unemployment rate.
- Consider the benefits\* of ending the double taxation of dividends:
  - Increases jobs by an average of 512,000 per year over the next ten years
  - Increases the dividend payout rate by four percentage-points by the end of 2005
  - Increases disposable personal income for an individual taxpayer by an average of \$343 per year over the next ten years
  - Increases the GDP by \$294 billion in the first five years
  - Increases purchases of business equipment by an average of \$32 billion per year
  - Increases personal consumption by \$272 billion in just the first five years.
- In other words, ending the double taxation of dividends will:
  - Make U.S. corporations more competitive globally;
  - Expand shareholder wealth;
  - Improve investor confidence in the stock market;
  - Yield immediate *and sustained* economic growth.
- In fact, a PriceWaterhouseCoopers study found that the dividend proposal would be more growth-enhancing in the long run than any other individual component of the Bush economic growth proposal.
- There are a few things that ending the double taxation of dividends would *not* do. It would:
  - NOT increase inflation (just 0.1 percentage points in the first five years);
  - NOT balloon the federal budget deficit (net deficit impact of about \$10 billion per year).
- For immediate and sustained economic growth, Congress must end the double taxation of dividends.

\* According to the U.S. Department of the Treasury and the Heritage Foundation.